

## MANAGEMENT REPORT

**Date:** July 16, 2024  
**To:** Finance and Labour Relations Sub-committee  
**From:** Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer  
**Report Number:** FIN24-025  
**Attachments:** None

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**Title:** Property Tax Arrears and Tax Sales Update

**Objective:** To provide Sub-committee, Committee and Council with an update as to the City's tax account collection status and arrears management.

**Background:** In 2022, Council adopted the Property Tax Billing and Collection policy. The intent of the policy was to outline the processes that were already in place and enhance the descriptions of steps taken to manage the billing and collection of property taxes, the City's largest revenue stream. This was necessary to assist staff with implementing consistent practices but has also been a helpful resource for ratepayers to understand the process.

This report is to provide Council an update and comparison of where we were, and where we are now with outstanding tax collection.

**Analysis:** Accounting regulations require that tax revenues are recognized at the time they are billed. More accurately, at the time they are due and payable, but typically these annual periods are the same. Taxes billed, but not paid reflect on the City's audited financial records as 'taxes receivable'. The City's annual budget is prepared on the basis that all revenues are received in the year. So, one very real effect of taxes billed but not paid is an impact to cash flows. If the expenditures still occur, but the cash is not received, this can create cash flow pressures. These are not considered uncollectible due to the priority lien status that taxes have, however, the timing of these revenues can distort the City's actual available cash.

Fortunately, the City has historically not had a significant gap between what is billed and what is collected. There have been instances where some property owners have fallen into arrears and repayment agreements are entered into, and, if an agreement cannot be worked out, the City has the legislative authority to undertake collection activities and sell the property to recover taxes owing.

This does not happen too often relative to the number of properties in the City nor relative to other municipalities.

Since implementing the policy, this systematic and organized approach to collection activities has resulted in entering into more formalized repayment agreements and ultimately collection of past due amounts.

In addition to total outstanding arrears, staff are interested in the age of these arrears. The Municipal Act, 2001 provides that properties that are more than two years in arrears are eligible for tax sale.

The tables below illustrates a snapshot of December 31, 2021 compared to December 31, 2023 using several data points.

	2021	2022	2023	2024 (to date)
Current Year Arrears	1,104,945.16	1,352,881.92	1,692,874.85	1,482,216.12
Prior Year Arrears	559,261.78	518,952.84	584,389.91	1,069,244.79
Previous Year Arrears	558,022.61	656,369.86	374,923.77	460,644.01
Total Arrears (including interest)	2,222,229.55	2,528,204.62	2,652,188.53	3,012,104.92
Total Regular Taxes Billed	63,453,931.74	68,264,107.35	73,024,504.28	80,090,364.07
Total Supps Billed	1,595,324.44	1,369,872.66	966,321,.17	66,053.86
Percentage of Total Taxes Billed in Arrears	3.42%	3.63%	3.58%	3.47%
Number of Properties with any Arrears	816	1,155	1,159	1,259
Number of Properties with Arrears > 3 years	Not Tracked	Not Tracked	61	39
Number of Properties that	Not Tracked	2	6	9

	2021	2022	2023	2024 (to date)
have begun formal Tax Sale Process				
Number of Properties with Arrears with Payment Arrangements	Not Tracked	0	16	18
Number of Properties paid in full (including sold, paid via third party financing, etc.)	Not Tracked	0	10	13

The information just represents a snapshot, and any figures for 2024 are not necessarily reflective of the year, as these were at the mid-year mark. Many property owners who have missed a first instalment payment or have a timing issue with their own cash flows will resolve this by the end of the year.

### **Financial Implications:**

There are no financial implications because of this informational report but it is noted that following consistent internal processes for collections ensures the arrears levels are maintained at a reasonable level.

### **Alignment with Strategic Priorities:**

#### **Developing our Resources**

Optimizing Stratford's physical assets and digital resources. Planning a sustainable future for Stratford's resources and environment.

### **Alignment with One Planet Principles**

**Not applicable:** There is no alignment with One Planet Principles for this administrative update report.

**Staff Recommendation: THAT the report titled, "Property Tax Arrears and Tax Sales Update" (FIN24-025), be received for information.**

**Prepared by:** Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer

**Recommended by:** Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer  
Joan Thomson, Chief Administrative Officer